

EDC'S MAGAZINE FOR CANADIAN EXPORTERS

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# ExportWise

## The Innovation Issue

Roger Martin  
urges a move to  
emerging markets

Exporters driven  
to diversify

Industries profiting  
from innovation





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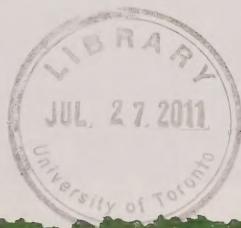
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# growing your business



# A NEW YEAR, A NEW CHALLENGE



Stephen Poloz  
President & CEO

## 2011 HOLDS A WORLD OF OPPORTUNITIES FOR CANADIAN BUSINESSES

**T**here's no doubt that 2011 will be a year filled with challenges for Canadian global businesses; a high Canadian dollar, increasing competition from the developing world, continued uncertainty and the threat of protectionism in our traditional export markets, and volatile oil prices will all play a role. Some even speculate that these factors could spell the end of globalization, but I believe the future will see a global economy that is more integrated, not less. There's more than one way for companies to tap into the global economy.

That's why I believe that 2011 holds a world of opportunities for Canadian businesses. While the global economy is still on shaky footing, the recovery is underway. And Canada is in a great position to take a leadership role in the recovery; our strong banking sector and federal fiscal position have allowed us to side-step some of the worst of the fallout from the credit crisis and ensuing recession, and now we have an opportunity to make investments that will serve us well as the recovery takes hold.

It is evident that, despite the obstacles they have faced over the last couple of years, some Canadian exporters are seizing this opportunity with both hands. EDC's business volume in emerging markets increased by more than 32 per cent in 2010, with China,

Brazil and India leading the way. This is encouraging, in part because Canadian companies need to diversify their export markets, but also because the type of transactions we saw last year indicate a longer-term interest in these markets.

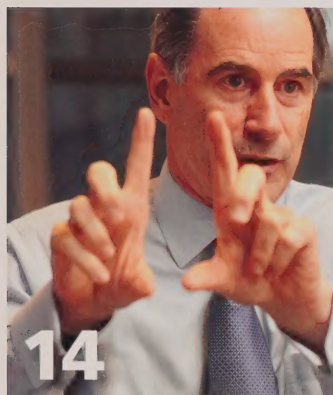
For example, the number of Canadian Direct Investment Abroad (CDIA) transactions that EDC facilitated in 2010 rose to 573—almost 100 more than the previous year. These transactions include loans to help companies open facilities in new markets or participate in joint ventures, as well as insurance for foreign affiliates. What this shows is that Canadian companies are plugging in to global supply chains—making connections in new markets, so that they can do business with a new generation of corporate giants.

To stay competitive in the global marketplace, Canadian companies are seeking ways to increase their productivity, such as making investments in R&D, training and cutting-edge technologies and equipment. EDC may be able to facilitate these investments through programs like our Export Guarantee Program.

I am excited to be taking on my new role as President and CEO of EDC at such a critical time in the evolution of the global economy. I have no doubt that Canadian companies have what it takes to succeed on the world stage, and I look forward to ensuring that EDC is there to facilitate that success. ■



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Putting together an issue on innovation led us to an innovation of our own. Simply download any of the free QR code readers available for your smartphone and scan the square QR code on the cover of this issue using your smartphone's camera to be directed to great content and exclusive features at [ExportWise.ca](http://ExportWise.ca).





# PROFILING A PERSON PLACE & THING

MAKING A DIFFERENCE IN THE WORLD OF EXPORTING



Photo: Courtesy of Talisman Energy

## PERSON

**INTERNATIONAL BUSINESS LEADER OF THE YEAR.** John A. Manzoni, president and CEO of Talisman Energy, Canada's most global independent oil and gas company, was recently named 2010 International Business Leader of the Year by the Canadian Chamber of Commerce. The annual award recognizes a Canadian executive whose leadership has resulted in a strong Canadian presence in global markets. Manzoni notes that nearly 80 per cent of the company's revenues are now generated outside Canada.

"The economic balance of power is shifting to emerging markets, and Canadian companies have to look outward more than ever." Most recently, Calgary-based Talisman has begun looking at helping Poland develop its shale gas.

**Read the full article at [exportwise.ca/manzoni](http://exportwise.ca/manzoni)**

## PLACE

### THE DOMINICAN REPUBLIC: SMALL COUNTRY, HUGE ECONOMIC CLOUD.

Did you know that the Dominican Republic is one of the most dynamic and rich economies in Central America and the Caribbean? Along with Panama, the island nation is predicted to lead growth in the region for the next few years, and it attracts more foreign direct investment than all other Central American and Caribbean countries. Canada currently ranks third in terms of foreign direct investment stock in the Dominican Republic, after the U.S. and Spain, and has carried out the most such investment since 2007.

Moving forward, there are significant investment opportunities in the DR that match Canadian expertise, especially in the area of infrastructure. EDC's Alain Gauthier ([agauthier@edc.ca](mailto:agauthier@edc.ca)) is based in Panama to serve the region.



Photo: © Irène Alastuey/Ag

## THING

**HOW SWEET IT IS.** The PEI-based Honibe Honey Drop received a top honour at the world's largest food trade show in Paris in the fall. The Honey Drop, winner of the global SIAL d'Or, was judged the best new product for 2010 in the "Sweet Grocery" category. Produced by Island Abbey Foods, the Honey Drop is the first 100-per-cent pure dried honey cube for sweetening tea and coffee. It was also the highest-scoring Canadian product for 2010 in the preshow awards in May.

Island Abbey Foods is a 6<sup>th</sup> generation agricultural family business and specialty food producer.

**Find out more at [honibe.com](http://honibe.com)**



Photo: © Island Abbey Foods Ltd. 2011



# A VIEW

FROM

## THE REGIONS

# SÃO PAULO, BRAZIL

## Talking business over a caipirinha

MONICA BUSCH, EDC REGIONAL MANAGER, SÃO PAULO, BRAZIL

As I work my way through my first year with EDC in São Paulo, two things stand out. First of all, looking at my overall experience in this market—I worked in structured trade finance at private-sector, international banks in São Paulo and abroad before joining EDC—one of the best things about working with EDC is the co-operative environment throughout the organization. Every work team, both here and back in Ottawa, is really focused on helping the client.

Secondly, I also find Canadian businesses have a good deal in common with Brazilian companies because of the complementary expertise in certain sectors such as energy, mining and oil and gas. The most successful Canadian companies

have either established local operations or they maintain a solid, long-term association with a local firm capable of protecting and promoting their interests. Even if the products or services fit nicely, expect things to take longer here than in Canada.

They also develop a close relationship with their partners and the market, taking advantage of mutual cultural respect and pride in their respective countries: both Brazilians and Canadians love to start a relationship talking about their homeland and specialties—often over a *caipirinha* (Brazil's national cocktail)! I recently attended a meeting with a Canadian and Brazilian company in the information and communications

technologies sector, and the conversation ranged from vacation destinations to the best restaurants in São Paulo—the excellent food choices here are endless—and only then everyone was ready to get down to business. And an important tip when coming to São Paulo on a business trip is to factor traffic into the meetings schedule.

Bringing like-minded companies together is, of course, the reason that EDC is here in Brazil. We are excited to welcome the world at the 2014 World Cup and 2016 Summer Olympics and I believe that Canadian companies can play a big role in helping Brazil get ready. Tchau! ■











# THE INNOVATION EQUATION

BY SANDRA CORDON

**F**aced with a global recession unlike anything seen in decades, Ontario manufacturer Omega Lift relied on a business strategy it hoped would help it ride out the tsunami: innovation.

"We knew we had to shift our dependency from the U.S. market," recalls Nick Acocella, sales manager of the Bolton, Ont.-based company that makes heavy equipment and vehicles for handling and lifting material.

"So rather than sit back and wait for the worst, we started planning ahead."

Before the economic turmoil that erupted in 2007, most of Omega's sales were in North America.

But innovative marketing strategies led the firm to find dealers and distributors on most other continents as well. When global recession hit, and Omega Lift's sales in North America dropped, the firm's new international sales base helped avert production slowdowns.

Today, 80 per cent of Omega Lift's sales occur outside North America, in such places as Russia, Chile, Pakistan, Bangladesh and the United Arab Emirates. Major forays are being made into Australia, the U.K. and South Korea, and the firm's sights are set on Europe and India.



## CRISIS IS THE MOTHER OF TRANSFORMATION, AND THAT'S WHEN RADICAL NEW WAYS OF THINKING ABOUT INNOVATION HAPPEN.



Omega Lift is also becoming more innovative in its products, explains Acocella.

"The beauty of our business model is that we can easily diversify our product range," he says. "Our equipment can be transformed and applied across most industry sectors, including the military, mining, shipyards and construction. We're constantly revamping designs for new applications."

Echoes of Omega Lift's experience can be heard across Canada's export sector, where savvy executives are learning the value of innovation in carving a market niche for themselves in a challenging global environment.

The innovation can involve anything from new product offerings and increased quality and service, to forging new business alliances and greater investments in research and development.

Many exporters, battle-hardened from dealing with Canada's muscular dollar, were already beginning to diversify product lines, or to look beyond traditional markets.

When the Great Recession struck, these firms were often the best-positioned to survive, says Peter Hall, vice-president and chief economist at Export Development Canada (EDC).

## TRANSPORTATION: New products to weather downturn

In a severe economic downturn, industries can suffer sharp contractions and many companies fail.

But Canadian auto parts suppliers have been doing the unexpected as the world slowly emerges from the global recession. Some companies are even at full capacity because they used the downturn to innovate, and created strong niche demand.

Warren Industries, of Vaughan, Ont., used the downtime during the recession to re-engineer its technology to help client Volkswagen solve a particular problem. The car maker was having difficulty synchronizing its flanges to suit a broader set of car models. Warren developed a proprietary flange system and a prototype. Volkswagen executives liked the new design and quickly put Warren to work producing the flange systems for all of their models.

Redoe, in Windsor, Ont., is the only company in the world with the technology to build the LED light strings used in headlights and tail lights, most notably in Audi products. Automakers from around the world seek Redoe's unique capability to build reflective prisms. At full capacity, Redoe has been able to remit new demand to future years. One potential customer even refused to be turned away, prepared to do anything to secure their product.

CVTech of Drummondville, Que., was well positioned in the recreational and utility vehicle parts supply chain, largely due to its transmission component business and its next-generation continuous variable transmission design. That design caught the eye of Tata Motors for use in the Nano, an inexpensive, fuel-efficient car aimed at India's domestic market. This diversification could prove

instrumental for the company's growth, at a time when the recreational vehicle segment is seeing sharp declines.

NUCAP Industries of Toronto had already begun to expand into Europe, India, China and Spain when the recession hit. Many of its customers were original equipment manufacturers (OEMs), with a focus on NUCAP's braking systems. When demand started to wane, the company looked at its other product lines, including suspension parts, radiators and gas tanks, and re-oriented its production to almost a 50-50 split between OEMs and the potentially lucrative after-market sector. With consumers keeping their cars longer during a down economy, it was a smart move for NUCAP.



"Crisis is the mother of transformation, and that's when the out-of-box solutions, the radical new ways of thinking about innovation—a particular process, what it is a company does, what markets a company happens to be in—that's when that critical thinking actually happens," says Hall.

"You're either going to survive this thing or you're not, and when pushed to the brink, companies get very, very creative. When we're pushed to the brink, it's amazing how we can think completely differently."

During some of the darkest days of the global recession, EDC worked to shore up confidence and backstop exporters with such financial tools as its Business Credit Availability Program, and other supports that were established through a temporary expansion of EDC's domestic powers.

With its research into new markets and its study of ways to modify and diversify product lines, EDC also provided firms with "strategic suggestions" on how to innovate, says Hall.

Today, exporters who applied innovative thinking are continuing those creative business practises, says Jayson Myers, president of Canadian Manufacturers and Exporters.

"I think (innovation) was very important during the recession," says Myers. "But, in fact, businesses are innovating all of the time and my view of manufacturing and exporting is that this is one of the most innovative sectors. It has had to be, in order to survive."

Canadian exporters must continue seeking an edge against their global competitors on every front—from better design and engineering of their products, to higher quality and service, he adds.

"The name of the game is, how do you stand out from the competition? And that really requires a focus on innovation."

Salbro Bottle Inc., of Woodbridge, Ont., which manufactures and distributes glass and plastic bottles, has stayed ahead of its competition by investing in new technology and paying attention to customer demands.

The firm now distributes an estimated 100 million bottles to customers all over North America, including leading names in the food-and-beverage, cosmetics and pharmaceutical industries.

"Innovation is key to our continued growth. Our customers can call us any time they want and we'll react," says Salbro President Gary Saltz. "We've made the investments in equipment and training that allow us to be able to react and adapt to the customer's needs quickly."

## MANUFACTURING: Staying ahead of demand

With global competition increasing every year, investing in new technologies is a key way for manufacturing companies to increase their productivity and stay ahead of customer demands.

Take Salbro Bottle Inc., a Woodbridge, Ont.-based manufacturer and distributor of glass and plastic bottles, for example. The company was launched in 1990 and initially specialized in silk-screening bottles. But after hearing from customers, Salbro seized the opportunity to expand operations and supply them with bottles, caps, labels, silk-screening and distribution services.

Salbro now supplies an estimated 100 million bottles to customers across North America, including many leading names in the food-and-beverage, cosmetics and pharmaceutical industries, says company President Gary Saltz,

"As an owner-operated business, innovation is key to our continued growth. Our customers can call us any time they want and we'll react," says Saltz. "We've made the investments in equipment and training that allow us to be able to react and adapt to the customer's needs quickly."

Salbro employs cutting-edge technologies, backed by its skilled in-house team of engineers and designers, to reduce costs and increase productivity and responsiveness. For example, Salbro's computer-aided design system can create three-dimensional samples of a customer's bottle and provide a finished prototype in just a few hours.

Salbro also recently invested in new state-of-the-art customized molding machinery as a part of its vertical integration and automation initiative, reducing costs to become even more competitive.

EDC Account Manager Richard Ross helped the company get access to financing for this investment, through EDC's Export Guarantee Program. This program gives a guarantee to a financial institution to help firms obtain funds to finance work in progress, equipment purchases, business investments outside Canada, and more.

"A new equipment purchase can have a big impact on a small company's profit margin, allowing them to take on new business in new markets," Ross says. "Supporting this kind of investment is what EDC is here to do."



## EXPORTERS CUT COSTS, IMPROVED EFFICIENCIES AND EMPLOYED INNOVATIVE PRACTICES TO RESPOND TO THE CHALLENGE

The dearth of business failures despite the downturn is evidence of the success of innovative strategies, says Doug Porter, deputy chief economist at BMO Capital Markets.

"What's amazing is that business bankruptcies actually fell in 2009 in Canada," despite a very serious recession, says Porter. "I think that shows how well-prepared businesses were for this downturn. (They) had been stress-tested by the strong dollar."

Exporters told a similar story in an EDC survey last August on the impact of the high exchange rate. Many said they

had cut costs, improved operating efficiencies and employed new and innovative practices to respond to the exchange-rate challenge.

In fact, almost half of the firms surveyed said they were putting a greater emphasis on developing new products and services, and increasing product quality, to add value for their customers in order to better compete.

Still, some experts worry that many firms are not yet making the necessary investments in business and human capital to compete in a tough global marketplace.

The Conference Board of Canada, in its 2009 report card on various nations' ability to create a high and sustainable quality of life, gave Canada a D grade on the subject of innovation.

"We know that Canada does pretty well at creating knowledge and sharing it," Anne Golden, president and CEO of the Conference Board, says in an opinion piece in *ExportWise* (see pg 16). "Where we lag is in making money from our inventions and in putting new ideas to work in our businesses."

## INFRASTRUCTURE: Thriving in new markets

Often, being innovative just means planning ahead.

When the economy was booming four years ago, executives at Bolton, Ont.-based Omega Lift Manufacturing Inc., knew it wouldn't last forever.

At the time, the company, which makes heavy equipment and vehicles for handling and lifting material, made most of its sales in North America.

Today, in the midst of the recovery, 80 per cent of Omega Lift's sales are outside North America, in about 16 countries including Russia, Chile, Pakistan, Bangladesh and the United Arab Emirates. They've also made forays into Australia, the U.K. and South Korea, and have their sights set on Europe and India.

"We knew we had to shift our dependency from the U.S. market," says Sales Manager Nick Acocella. "So rather than sit back and wait for the worst, we started planning ahead."

Omega began finding dealers and distributors on every continent. This strategy gave the firm a foothold into an entirely new sales base when things started to go downhill. When the recession hit, Omega Lift's North American sales dropped off, but because of the company's inroads into new markets, it didn't have to slow production.

"The beauty of our business model is that we can easily diversify our product range. Our equipment can be transformed and applied across most

industry sectors including the military, mining, shipyards and construction. We're constantly revamping designs for new applications," says Acocella. Some of these innovations include specialized load-balancing machines, multi-directional loaders and new applications for the mining sector.

Acocella looks forward to seeing the U.S. economy pick up. "A lot of experts believe that those companies that make it through the recession will emerge even bigger and stronger," says Acocella. "So right now, we're just waiting... and working."



Golden acknowledges that some improvements are being made, pointing to data showing Canadian firms invested more in machinery and equipment over the past two quarters, and increased their imports of technology. "But progress is uneven."

Further, firms can't afford to backslide if they want to compete and survive in a world economy that's still far from stable.

"Risks remain elevated," for global economic growth, the Bank of Canada has warned. That said, in its latest economic outlook the Bank predicts net Canadian exports—supported by stronger U.S. activity and global demand for commodities—should contribute more to domestic growth in the months ahead.

But those gains will be partially offset by the persistently strong Canadian

dollar, cautions central bank Governor Mark Carney. The Bank also raised its assumption for the dollar to parity with the U.S. currency, but noted the stronger loonie may encourage more business investment.

Ultimately, exporters must choose whether to regard the persistently strong currency as an albatross, or as an advantage that will force greater innovation, says BMO's Porter.

"Dramatic events and changes really do, ultimately, drive innovation, acting as a carrot and a stick," explains Porter, who predicts the dollar will remain, on average, above parity this year and next.

"The stick is the competitive challenge that businesses are facing, and the carrot is that it is much more affordable to buy (offshore-sourced) machinery." ■



## EXTRACTIVE: Taking advantage of technology

New drilling technologies are among the innovations that have given Canadian companies an edge in the extractive sector in today's volatile times.

Unconventional gas exploration and development is undergoing a mini-revolution thanks to drilling innovations by a number of mid-sized Canadian companies. These include EDC clients based in Alberta, such as Precision Drilling, Xtreme Coil Drilling and Strata Energy Services, says John Wither, senior account manager for EDC in Calgary. "These companies have managed to grow internationally in recent years, even in the difficult global economy."

Firms engaged in oil and gas exploration and development face challenges posed by sensitive earth and rock formations. Shale, for instance, is a common sedimentary rock and a good source of

natural gas. But the energy industry has not pursued widespread commercial development of shale plays until recently—mainly because the gas inside has been difficult to extract economically. As the price of natural gas climbed in the 1990s, shale gas production started to become viable. In the past couple of years, new drilling innovations have made extracting shale gas even more feasible and a strategic focus for big energy players such as Talisman Energy (see [exportwise.ca/talisman](http://exportwise.ca/talisman) for the full story).

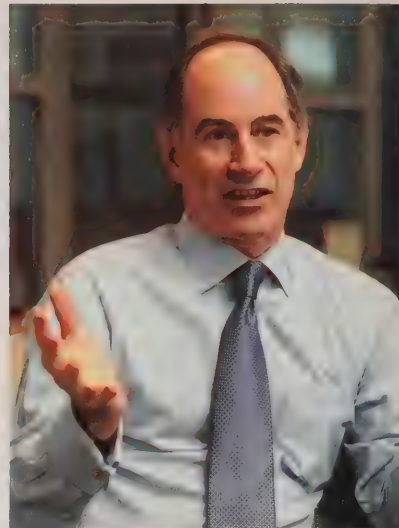
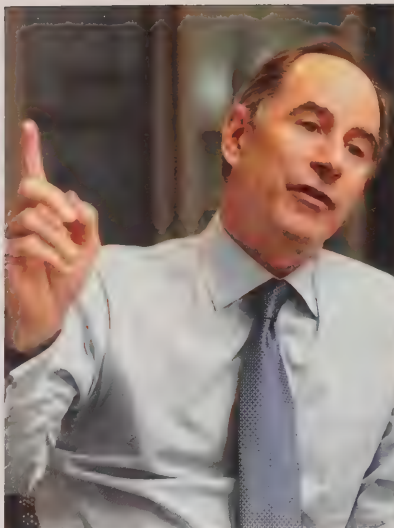
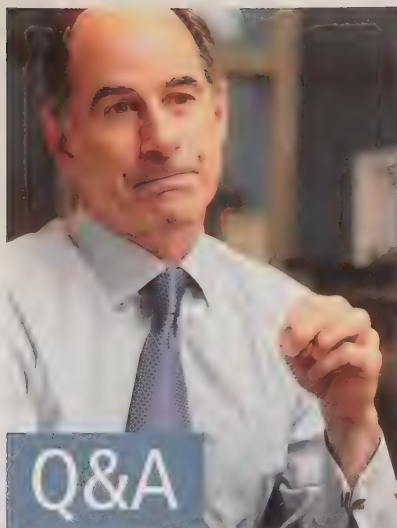
"These innovations include underbalanced drilling, horizontal drilling and staged fracturing," says Tim Sweeney, an engineer and senior technical adviser at EDC. "Because shale has such low permeability, gas will generally not flow unless the rock has been fractured."

The new processes create deeper, wider cracks, making it faster and less expensive to extract the gas.

"Today, too, new Canadian-designed and built rigs typically are lighter weight and have a smaller footprint, making them more mobile and less costly to transport," Wither says, adding that the new rigs also operate more quietly and are environmentally safer.

While many businesses retrenched over the past two years because of the recession, companies like Xtreme Coil Drilling used its patented technology to secure new contracts in Mexico and Saudi Arabia and a joint venture in Australia.





# ROGER MARTIN

## ON INNOVATING TO STAY AHEAD

BY RICK HALIECHUK

If Roger Martin has one piece of advice for a small or medium-sized Canadian export company hoping to boost its business, it's this: make your product or service unique. Oh, and also start chasing down opportunities in emerging markets like India, China and Brazil.

Actually, in a recent interview with *ExportWise*, the prolific writer and commentator on integrated business thinking and business design had a lot

to say about the importance of expanded trade to domestic exporters and to Canada's overall economic health.

The Toronto-based economist heads the Institute for Competitiveness and Prosperity, the research arm of the Ontario Task Force on Competitiveness, Productivity and Economic Progress, which he also chairs. And the 54-year-old Martin is also the dean of the Rotman School of Management at the University of Toronto, a post he's held since 1998.

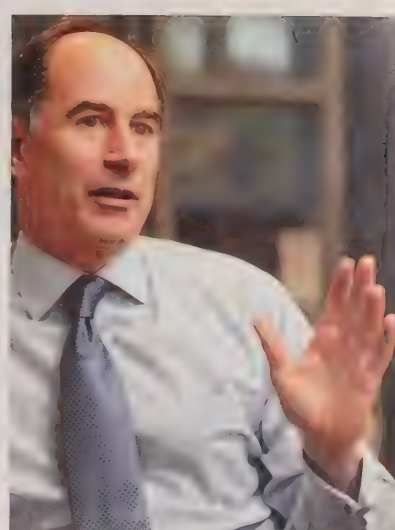
**Q:** The institute's working paper (released last fall) made the connection between trade and beneficial pressures on companies leading to more pressure for innovation. Can you explain for us how that would work and that it's not the other way round?

**A:** It's circular. So I think the answer is unquestionably both. As in the case of a lot of things, if not most things, in economics, it's hard to really be definitive about one-way causality... but the impact that we see is that companies tend to innovate more often when they need to than for any other reason. And what trade and more openness does is expose companies to greater competition and the need to innovate to stay ahead of the competition.

**Q:** In today's environment, I guess it's crucial for our industries to push for more trade, particularly with the BRIC economies (Brazil, Russia, India, China), more so than the Americans. That's a fairly saturated market for our most of our exporters.

**A:** I think there are still opportunities for lots of Canadian companies to trade more with the U.S., but that doesn't gain-say your basic point, which is, I think you're kind of a foolish company if you're not thinking right now about the BRIC countries, to me, especially India, China and Brazil. Russia is a little bit different beast. ... Russia is Europe's trade destination to a greater extent. They sort of have preferred access, geographically, to Russia.





Photos: Courtesy of Tim Fraser

**Q:** Do you find there is some reluctance in these companies to pursue these opportunities in other countries, particularly smaller and medium-sized businesses? Is it a political reluctance?

**A:** I think it's a variety of things. I think one is a kind of language and cultural barrier, so the easiest thing for a Canadian company, an English-Canadian company, is to export to the U.S., the U.K., Australia, New Zealand, perhaps for a Quebec company to export to France. But I do think there is this challenge in China of really feeling comfortable with the rules of the game. It's a country where it's tricky to know who's in charge... India is a different story. I think there's a bigger challenge with the physical infrastructure. Just getting things shipped around in India is harder.

**Q:** Are there some practical things that, particularly, a small- or medium-sized business can do to boost its trade? Is it strictly a matter of finding new markets or is it also a matter of doing things more quickly, doing things better?

**A:** I think absolutely the most important thing for a company to be successful exporting is having uniqueness, having something that other people don't have. If you're going to try and export product across the big water to Asia or Europe and it's the same thing as the local

producers are producing, good luck—you've incurred a whole bunch of extra costs and you're not near that market and you've got the same thing. So I would say the number one thing is distinctiveness, having some distinctive offering or distinctive service or distinctive product.

But the second piece of advice would be to focus. I think companies are going to do much better saying, I am going to try Central America, or I'm going to try Latin America, or I'm going to try India or China or the Philippines or Indonesia, and say, I am going to figure out the market one market at a time, build that to scale, figure out how you do this thing, then do another country and another country, rather than saying: Okay, I'm going to export now, that's what I want to do, I'll export; let's see, there are 200 countries; why don't I send a representative to each of the 200 countries?

**Q:** In Canada today, do you find that there are a lot of small- and medium-sized companies that just don't have the wherewithal to be more innovative? They either don't have the money or the inclination and that is perhaps reflected in why we seem to be lagging similar jurisdictions in innovation.

**A:** I'm not sure I'd hang the problem on the small- and medium-sized companies. I think there is an innovation problem across the spectrum... If you just ask

the question, what are the most scale-sensitive attributes or aspects of a business, things relating to innovation would be high on that ranking... If you are a \$10 million company, or a \$100 million company or a \$1 billion company and you want to know what consumers think about a given new widget, it costs about the same, but it sure feels like nothing to the \$1 billion company, but it feels like a lot to the \$10 million company... So I think, in some sense, those small, medium-sized companies have to dig down deeper sometimes and say, the only way we're going to get big and have those economies of scale working for us rather than against us is if we stretch and invest now.

But I think there are attitudinal differences in terms of exports. There are more medium-sized Italian and German companies that think that exporting is the right thing to do than there are Canadian companies. There's something like 3,000 Italian exporters of women's shoes. That's wild. And there are literally hundreds of Italian exporters of ceramic tiles. So there is something about the business culture in some countries that says, hey, you know, we're producing something unique, and Americans will like it and Brits will like it and Germans will like it, and we're off to the export market.

I'd dearly love to see more Canadian companies having that attitude. ■



# THE BIG QUESTION:



**Dr. Anne Golden,**  
President and Chief Executive Officer,  
The Conference Board of Canada

**E**ach year, the Conference Board of Canada issues its report card<sup>1</sup> on how well the country meets its fundamental goal of creating a high and sustainable quality of life. Canada's D grade on innovation in our 2009 edition—ranking us 14<sup>th</sup> of 17 countries measured—is unambiguous. We can, and must, do better.

In high-wage economies, higher productivity is not possible without innovation. We know that Canada does pretty well at creating knowledge and sharing it. Where we lag is in making money from our inventions and in putting new ideas to work in our businesses.

For many years, business leaders could cite a vast range of excuses for holding back on investment in innovation. Taxes were too high. Regulations were too strict. And with a cheap dollar, who needed to innovate to make money?

Those excuses for inaction have been disappearing one after another. The stronger dollar has squeezed export profits. Corporate taxes have been falling for a decade.

The latest data suggest that we may be seeing the beginnings of a turnaround. Investment by Canadian firms in machinery and equipment has risen sharply over the past two quarters, as have imports of technology. But progress is very uneven.

National Bank Financial reports that the labour productivity of Canadian factories, which export about half of what they produce, has been growing at an annualized rate of 6.4 per cent since the onset of the recession and jumped by an astonishing 4.2 per cent in the third quarter of 2010. But the rest of the private sector is not keeping pace, with productivity for the business sector as a whole up just 0.4 per cent in the latest quarter.

## IT CAN INVOLVE DRAMATIC CHANGE THROUGH NEW PRODUCTS, NEW PROCESSES AND NEW MARKETS.

Innovative use of cutting-edge technologies and new processes can and should lead to higher productivity in every sector, so how do we turn around the longer term trend?

First, we have to remember that innovation can take many forms. It can involve

dramatic change through new products, new processes and new markets. Or, as in the case of two-thirds of Canada's innovations, it can flow from incremental efforts to reduce waste, find greater efficiencies and respond to changing market demands.

Public policy already has addressed some of the obvious barriers to innovation. But we are struggling to find consensus on which other ingredients ought to be part of a Canadian recipe for forging an innovative and fast-growing economy.

Governments still have important roles to play: through direct support, through procurement practices, through other factors such as transportation infrastructure and through innovation within the public sector.

But it also is time for business to step up to the plate. If business leaders still feel that they cannot justify the investment needed to drive greater innovation in Canadian enterprises, they need to be clear on what is standing in the way and what policy changes would make the difference. ■

<sup>1</sup> How Canada Performs. A Report Card on Canada, 2009. Conference Board of Canada.

CANADA EXPORT ACHIEVEMENT AWARDS



# HOW TO GROW GLOBAL

Despite economic hardship around the world, there's still massive opportunity beyond our borders – and your business can seize it. For proof, consider the successes and strategies of the 2010 Canada Export Achievement Awards winners ▶ PROFILES BY ELEANOR BEATON

**PROFIT**

THE CANADA EXPORT ACHIEVEMENT AWARDS ARE PRESENTED BY EXPORT DEVELOPMENT CANADA & PROFIT MAGAZINE.

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MAD ROCK MARINE SOLUTIONS INC.

# If you can't beat 'em, then change the rules

Selling a life-saving technology can be a lot more difficult than it sounds—especially when regulators are involved

**D**ean Pelley was a grad student researching international offshore safety when he ferreted out the problem that his company's technology would ultimately solve. It's estimated that in the past 18 years, 600 people have died in more than 1,000 lifeboat accidents, mostly due to a failure in the release-hook system. In many such accidents, the release hooks that are used to release the lifeboat or to pull it to safety will open as the lifeboat is being raised back on board, dropping occupants as many as 80 feet into the water.

"I knew that if we could create a solution to that problem, it would be a huge innovation in the industry and we could sell our product around the world," says Pelley, who co-founded St. John's, Nfld.-based Mad Rock Marine Solutions Inc. and is the firm's president, CEO and CTO.

However, international seafaring regulations delayed commercial rollout of Mad Rock's fail-safe RocLoc systems to international markets by four years—which shows that even life-saving products can get lost at (exporting) sea. But by pressing for regulatory change and taking advantage of government resources, Pelley has built a business that generated revenue of \$3.7 million in the year ending March 31, 2010—84% of it from exports—within three years of its first sale.

## GAME CHANGER

Dean Pelley knew he had to get into the regulatory process "at the highest level"

EXPORT DEVELOPMENT CANADA

**LOCATION** ▶ ST. JOHN'S, Nfld.

**WHAT IT DOES** ▶ MANUFACTURES LIFEBOAT RELEASE HOOKS

**PRESIDENT, CEO AND CTO** ▶ DEAN PELLEY

Pelley's early research suggested there would be ample demand for products that improve lifeboat performance and, especially among cruise lines, help meet insurer safety requirements. He quickly realized that export markets would be invaluable. "Canada's shipping industry is just too small to support the kind of company we envisioned," says Pelley.

But Pelley's innovation held the key both to his firm's growth and its potential demise. RocLoc has to be retrofitted to existing lifeboats, which are governed by original equipment manufacturer (OEM) regulations. Under laws set out by the International Maritime Organization (IMO), Mad Rock wasn't an OEM, and therefore wasn't permitted to make adjustments to lifeboats. Meanwhile, the lifeboat manufacturers, who argued that the root cause of hook failures was inadequate training and maintenance on the part of shipping lines, weren't interested in buying the RocLoc.

To remain afloat, Mad Rock would have to create a mechanism for its merchant shipping and cruise-line customers to buy the firm's products. "I knew I could only do that by getting involved in the regulatory process at the highest level," says Pelley. So, beginning in 2004, Pelley used a grad-school connection to secure a spot as a Canadian delegate to the IMO, which he began lobbying for regulatory change. And because IMO regulations are standard-setting but not legally binding for its member states, Pelley worked with individual countries to alter their laws so that domestic companies could buy and install RocLoc.

Setting up an in-house regulatory affairs department has been crucial to Mad Rock's success, says Brian Veitch, an engineering professor at St. John's-based Memorial University, who has watched the firm since its inception.

"By effecting the regulatory changes," says Veitch, "they've put themselves in a position to respond to a significant industry need."

Mad Rock sold its first order to a Norwegian firm in 2006 and hasn't looked back. Last year, U.S. customers accounted for 63% of Mad Rock's foreign revenue, while clients in Singapore accounted for 15%.

Pelley says breaking into export markets would not have been possible without following a strict regimen of plane-hopping and help from the Canadian government. From the outset, Pelley enlisted trade commissioners at Canadian consulates to identify potential customers and set up sales meetings. On one of Pelley's first sales trips to Norway, a local trade commissioner found dozens of prospective buyers, set up 10 meetings and even chauffeured Pelley to them. Without the support of trade commissioners, Pelley says, few of his early sales meetings would have occurred.

### Canadian consular staff set up 10 sales meetings and even drove Pelley to them

"They gave us the credibility," he says. "The fact that a trade commissioner was setting up the meeting assured foreign clients that we weren't some fly-by-night operation."

Mad Rock also tapped government services later in the sales process, in the form of insurance from Export Development Canada (EDC). In late 2007, shortly after signing a contract to provide \$300,000 worth of release hooks to a major cruise line, Pelley applied for accounts-receivable insurance from the EDC. He used this as collateral to secure a manufacturing loan from the Newfoundland government, which provided financing to ramp up production. "That sale was instrumental in helping us become a market leader among cruise-ship customers," says Pelley. "Without that insurance, we couldn't have secured the funding to make it happen."





iBwave SOLUTIONS INC.

# How to dominate your niche, one step at a time

iBwave's approach to cracking global markets is a case study  
in becoming the recognized leader in your industry

## STANDARD SETTER

Mario Bouchard's firm "totally dominates" its niche in the U.S., says one observer



EXPORT DEVELOPMENT CANADA

Just a few years ago, design engineers tasked with plotting in-building wireless networks operated with the equivalent of Stone Age tools—a hodgepodge of spreadsheets, PowerPoint and other programs that created inaccurate and comparatively rudimentary depictions of in-building wireless networks for large buildings and campuses.

Then, in 2003, a St-Laurent, Que.-based firm—iBwave Solutions Inc.—burst onto the scene with a software tool that catapulted in-building wireless-network design into the 21st century. Whereas engineers once used multiple programs to plot the locations of antennae, hardware and cables manually, as well as predict signal strength, a single program can now do it all.

By 2009, six years after iBwave's inception, it counted 175 telecoms in 70 countries as clients. And last year \$5.2 million of the firm's total revenue of \$5.5 million came from foreign markets. Currently, 65% of iBwave's foreign sales go to wireless carriers, equipment vendors and systems integrators in the U.S., with the remaining 35% spread across China, Kuwait, Turkey and various smaller markets.

"It's a niche they occupy and totally dominate [in the U.S.]," says Bruce Wilson, president and CEO of Manchester, N.H.-based Cellular Specialties Inc., one of iBwave's earliest customers.

**LOCATION** ▶ ST-LAURENT, QUE.

**WHAT IT DOES** ▶ IN-BUILDING WIRELESS NETWORK DESIGN SOFTWARE

**PRESIDENT AND CEO** ▶ MARIO BOUCHARD

Thanks to the rise of smartphones and tablet PCs, which require anywhere from 10 to 100 times the bandwidth of a voice-only cellphone, global networks are straining to carry a massive flow of data. What's more, these technologies are primarily used inside buildings and require a degree of signal strength that outdoor towers cannot reliably provide—all of which is driving exponential growth in the in-building wireless industry.

iBwave has been well positioned to tap into the dramatic growth in demand. "There's no complete solution on the market like what we offer," says Mario Bouchard, the company's founder, president and CEO. "When you're the first, it's easier to break into export markets because there's less competition."

But selling iBwave Design, the firm's flagship product, in the global marketplace has not been without its challenges—some of them the result of the company's own hefty ambition.

"We want to be the global standard," says Bouchard. To accomplish this, the firm set itself a 60% growth target for 2010 and doubled its global sales team last year from five to 11 reps. Joining forces with international agents also has helped iBwave better understand and win foreign customers. But Bouchard warns against over-reliance on third parties. "We use the agents to help us get in the door, but we always do the sales pitch ourselves," he says. Because of the product's highly technical nature, says Bouchard, his staff are uniquely positioned to do the selling. What's more, handling the sales ensures the company is able to develop a relationship with export customers from the get-go rather than depending on a go-between.

Even with a larger sales team, becoming the "Microsoft of the world in-building wireless market," as Bouchard puts it, requires iBwave to overcome the structural resistance of

the global in-building wireless ecosystem, which consists of about 800 wireless operators imposing their individual standards on thousands of wireless-equipment manufacturers and systems integrators. So, last year, iBwave sold U.S. cellular giant Verizon on a certification process to help the wireless operator achieve greater consistency across its supply chain. Now, certified firms must use iBwave Design to ensure they are all "speaking the same language," says Bouchard.

They are also trained by iBwave in how to use the software, and are even approved by iBwave to handle various components of in-network design and installation. A few weeks after launching the certification process with Verizon, AT&T

also adopted the process, which has allowed iBwave to sell its product to dozens of AT&T's suppliers.

But by far the biggest exporting challenge, says Bouchard, was iBwave's startup status—even though he was a 15-year veteran of Canada's wireless industry when the firm launched:

"People wanted to be sure that we were going to be around." To boost iBwave's credibility, Bouchard created an advisory board populated with heavyweights from the in-building wireless sector. As well as providing management expertise, the advisors have opened doors to decision-makers at foreign telecoms.

iBwave's success might appear to be the product of perfect strategy and flawless execution, but Bouchard learned at least one exporting lesson the hard way when he attempted to shake hands with a conservative Muslim woman at a trade show in the Middle East—a big no-no. "You cannot underestimate the importance of cultural understanding," says Bouchard. "Trying to impose your way of doing business in a foreign country just doesn't work."

### iBwave's board of big-name advisors earned the firm instant credibility



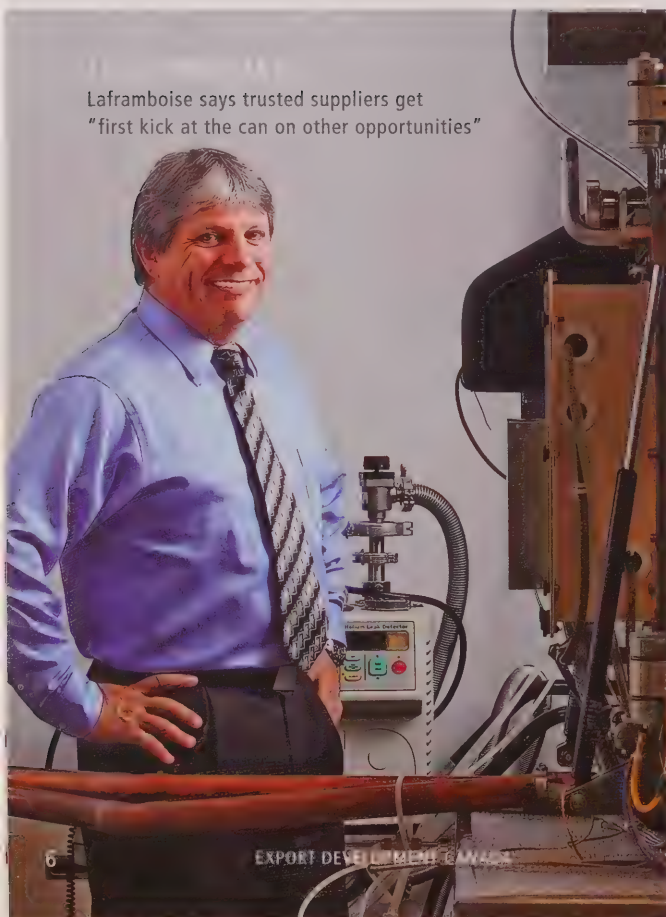


IRIDIAN SPECTRAL TECHNOLOGIES LTD.

# Of turning on dimes and watching all pennies

For a growing player in 3D cinema, selling abroad requires being prepared for the trappings of success

Laframboise says trusted suppliers get "first kick at the can on other opportunities"



**T**he next time you head to the cinema for a 3D blockbuster, it's possible the action will be brought to you in part by Iridian Spectral Technologies Ltd. The Ottawa-based firm has done brisk business making optical filters for the telecommunications and biomedical industries since 1998, but the firm has almost tripled its annual revenue over the past two years due primarily to its more recent foray into 3D cinema technology. And one more thing: Iridian's ability to win the trust of the highly demanding foreign firms that were responsible for more than 99% of the company's \$17.4 million in sales in the year ending June 30, 2010.

Looking beyond Canada's borders was necessary from the outset simply to secure Iridian's survival, says president George Laframboise. "There is not much of an optical industry in Canada," he says. Since the decline of the telecom industry in 2000, Laframboise says, more and more telecommunications manufacturing—for which Iridian produces components—has moved to U.S.-owned plants in Asia. This trend has pushed Iridian to export its technology, not only to American fibre-optic cable makers operating in China but, increasingly, to the Chinese-owned firms that have sprung up over the past decade.

Iridian's export and growth strategies have always been inextricably linked, being based on identifying hot new markets for its technology, such as 3D entertainment. Today,

**LOCATION** ▶ OTTAWA

**WHAT IT DOES** ▶ MANUFACTURES OPTICAL FILTERS

**PRESIDENT** ▶ GEORGE LAFRAMBOISE

half of Iridian's revenue comes from 3D glasses and projector parts for a U.S. company that distributes the products to theatres around the world.

But, as any Hollywood starlet can tell you, getting into show business isn't easy. "We went from showing samples to having to produce hundreds of thousands of 3D glasses within a few months," says Laframboise. This required Iridian to call in favours to source manufacturing equipment and large quantities of input materials on short notice. Having good relationships with those in your supply chain is essential before tapping high-growth export markets, because "you have to be prepared to ramp up quickly," advises Laframboise.

You must also prove to prospective new clients that you *can* scale up—which Iridian does by presenting customer case studies and testimonials. For instance, Iridian is the top choice of Thermo Fisher Scientific, a producer of lab equipment. "Our business is unpredictable and driven by large orders," says Daniel Lydon, supply chain manager at the Waltham, Mass.-based company. "Iridian's ability to work with its own supply chain to accommodate that is a huge differentiator."

As much as any company wants export success, it often comes with such growing pains as cash-flow crunches. Iridian has suffered some of its sharper pangs in China, where payment terms adopt a nebulous aura. (China accounts for 19% of the firm's exports.) Laframboise says that when he first started doing business in the Middle Kingdom, he was puzzled as to why his customers would agree to 30-day payment terms but often not come up with the money until months later. In the case of one client with a \$300,000 order, Laframboise says, Iridian "had to understand why they weren't paying us, and work with them to come up with

a solution." The customer turned out to be doubling its production to meet higher than expected demand, prompting Iridian to quadruple its standard payment terms to 120 days—a painful but ultimately profitable move, as the customer later rewarded the firm with "huge amounts" of new business.

Iridian has learned how to guard against cash crunches over its years of activity in the Chinese market. Laframboise says his firm carefully budgets for and manages its expenses

to build cash reserves that ameliorate the effects of long payment delays. While he has seen other Canadian suppliers deal with long-outstanding invoices by halting delivery of current orders, Laframboise warns this approach should be a last resort, suggesting that flexibility, patience and communica-

Being too rigid  
with foreign receivables can  
"kill the business"

tion are important to growing in the Far East: "If you're too rigid, you can quickly kill the business."

Iridian's senior management and sales teams schedule in-person visits to foreign customers at least annually to help build trust and understanding. Meanwhile, Iridian's technical staff schedules face-to-face meetings on an as-needed basis. The payoff? Clients, especially the ones who require looser payment terms, become repeat customers. "By working with them to help them overcome their challenges," says Laframboise, "you establish a high degree of trust, and often get first kick at the can on other opportunities."

Although modern 3D film technology is still in its infancy, Iridian already has its sights set on other opportunities, such as defence and environmental applications for its optical filters. But Laframboise knows that capturing them will take time: "We're not yet known in these fields. We have to convince these customers to trust us."





AMR PROCESS INC.

# You don't have to travel alone

The success of AMR Process shows that landing foreign clients is much easier when you're able to do it in teams



## TEAM PLAYER

"If they have the right contacts, then we do business with them," says Robbins

Ashley Robbins' clients might be among the world's biggest and richest companies, but that doesn't mean they don't like a bargain. That's why keeping costs down without sacrificing service quality has helped to make Robbins' company, AMR Process Inc., a supplier of choice of engineering-process designs and equipment used by oil- and gas-extraction firms worldwide.

"We're now recognized as a major player, even though our competitors have 10 to 20 times our turnover," says Robbins, president of the Leduc, Alta.-based firm. Last year, its revenue grew by 81% to \$1.8 million, and Robbins says it's on pace to double this year. Not too shabby for a company that has been in the export game for only five years—and employs just nine people.

Launched in 2002, AMR secured its first contracts close to home. But three years after AMR's inception, Robbins looked farther afield.

He put together a list of the top 10 oil- and gas-producing and reserve countries, then identified the extraction projects in those countries in AMR's sweet spot: small-scale projects in the \$1 million to \$2 million range. But Robbins quickly ran into a chicken-and-egg quandary. "Everyone wanted local references," he says. "But back then, we hadn't done business in those markets, so we didn't have references to provide."

**LOCATION** ▶ LEDUC, ALTA

**WHAT IT DOES** ▶ ENGINEERING & DESIGN FIRMS THAT DESIGN AND EQUIPMENT FOR OIL AND GAS EXTRACTION

**PRESIDENT** ▶ ASHLEY ROBBINS

To overcome this hurdle, Robbins employed a strategy that has since become instrumental to AMR's ability to punch well above its weight: forming strategic alliances. Good partnerships are symbiotic. AMR's contribution comes in the form of technical know-how that is lacking in the countries the firm targets, especially among local fabricators who themselves want to win more oil and gas business. Robbins has pulled out several stops to find such potential partners, including a search-engine optimization program on AMR's website to attract foreign fabricators. With those leads in hand, he then enlists the help of in-market Canadian trade commissioners to check out the fabricators' client lists and project history.

"If [the fabricators] have the right contacts, then we do business with them," says Robbins. This strategy creates a win-win situation: AMR secures a local reference, and its proprietary designs help the local fabricator produce millions of dollars worth of oil and gas process packages.

Such was the case in Indonesia, where Robbins joined forces with a local manufacturer. "We went to them and said, 'You don't need to buy equipment from someone else,'" he says. "You can use our designs and fabricate the equipment yourself."

The fabricator took the bait, and it soon became a local reference for Indonesian prospects (the country now generates 4% of AMR's exports) and signed an agreement to become a licensed supplier of AMR's designs. AMR has repeated this manoeuvre in all its major export markets, including Iraq (45% of its exports), Tunisia (27%), Nigeria (12%) and China (4%). Says Robbins: "Once you get your foot in the door, it becomes so much easier to win more business."

Of course, winning the business is just the beginning. Shortly after getting into the export game, Robbins discovered

a fiscal challenge that threatened to put him at a disadvantage against his deep-pocketed competitors. As a small company with limited resources, AMR initially struggled to finance the bid bonds of up to \$500,000 demanded by project owners as security against the winning bidder violating the terms of its bid. "That wouldn't faze the companies I go up against, but it tied up far too much capital for us," says Robbins.

And if AMR did win a bid to supply, say, \$1 million worth of product to an international client, it couldn't be sure that the client would pay up. Robbins therefore secured accounts receivable and surety bond insurance from Export Development Canada, helping AMR to borrow the funds required to post bonds and fill orders.

If AMR's technical ingenuity and street smarts have helped it penetrate new markets, it's the company's ability to manage expenses that keeps it there. Teleconferencing and document-control software, which ensures consistency among the hundreds of drawings required for a single engineered process, are crucial to keeping costs down and quality high. "We're able to provide excellent service and results with a small fraction of the manpower of our competitors," says Robbins.

The company regularly uses web-conferencing software to conduct clarification or even kickoff meetings with customers and partners, who may be in as many as four locations at the time. The software allows each participant to "share" a computer screen and review materials on their computers simultaneously.

Of course, some things can't be done over the web or by phone. Robbins says he's quick to hop on a plane when his gut instinct tells him that a face-to-face meeting is warranted: "We just always try to make good use of technology wherever possible."

### Overseas alliances can both boost sales and generate references





CHRISLAN CERAMICS AND  
GLASSWARE DECORATING INC.

# Swimming against the currency tide

Boosting efficiency and planning for a fluctuating loonie  
allow Chrislan Ceramics to grow in the U.S. market

Latin America represents the next big thing  
for the Laninga brothers



Sometimes growth is all about hitching your wagon to the right star. That's what happened to Maple Ridge, B.C.-based Chrislan Ceramics and Glassware Decorating Inc., when it reinvented itself in the late 1980s to tap into the fledgling craft-brewery market.

Back then, Chrislan's main business involved buying blank glassware from suppliers and decorating it for major breweries. But the firm's dependence on the pricing whims of glassware suppliers had vice-president Alan Laninga feeling vulnerable. "They dictated the price to us, and we knew they could go direct to our customers any time," he says.

Meanwhile, microbreweries were just starting to take off in the Western U.S., spurring demand for branded beer-tap handles. Chrislan moved to exploit the opportunity management had spotted to sell premium ceramic handles for higher-end craft beers. The company sold its glassware business to a competitor and used the proceeds to start producing ceramic taps.

Two decades later, the rise of the microbreweries has made the firm Laninga runs with two of his brothers into what he says is the world's biggest maker of ceramic taps. And their client base is continuing to grow rapidly. Data from the Boulder, Colo.-based Brewers Association shows that craft beer sales in the U.S. grew by 7.2% last year, even as overall beer sales slumped by 2.2%.

**LOCATION** ▶ MAPLE RIDGE, B.C.

**WHAT IT DOES** ▶ MANUFACTURES CERAMIC TAP HANDLES AND DISTRIBUTES GLASSWARE

**EXECUTIVE TEAM (L TO R)** ▶ GENERAL MANAGER/SECRETARY ALAN LANINGA, VICE PRESIDENT LARRY LANINGA, CEO

Yet it hasn't all been clear sailing for Chrislan. It has had to overcome major challenges, such as the soaring loonie and growing competition from cheaper plastic and wooden handles. Chrislan's ability to boost productivity, source from U.S. suppliers in order to hedge its foreign-exchange risk and differentiate its product from cheaper competitors has been instrumental to its major success as an exporter. The firm did \$4.5 million in exports in 2009, on total revenue of \$4.9 million. Fully 86% of its exports went stateside, with the other 14% heading to the U.K.

Exporting—especially to the U.S., by far the biggest microbrewery market—was always part of Chrislan's game plan, says Laninga. Whereas “Canadians like to cocoon—we drink our beer at home,” he says, Americans have more of a bar culture. And having a customized handle is a cultural—and, in some states, a legal—requirement for persuading a bar to stock a given beer on tap.

Laniga says ceramic handles are a distinguished alternative to cheaper wood or plastic competitors—a big differentiator in bar culture, in which good looks go a long way. He estimates that about a third of buying decisions are made at the bar, where a distinctive-looking handle can boost draft sales by as much as 10% within the first three months. That's why Chrislan's customers, including brewers of brands such as Stella Artois and Guinness, don't mind shelling out extra for a ceramic handle. But only up to a point, says Laninga: “Our prices have to be in the ballpark.”

That became tougher this past decade as the loonie's sharp rise in value against the U.S. greenback drove up the cost of Chrislan's taps in its chief market. “We knew we had to boost productivity if we wanted to grow,” says Laninga.

This required rethinking a manufacturing process that used to require 18 staff across six production lines to hand-pour liquid ceramic into porcelain moulds. About 30% of the handles made this way wound up in the reject pile. In 2007, Laninga and his brothers decided they needed to automate production—a first in their industry—and found a German-made pressure slip-casting machine that would let them do so.

Another barrier to productivity was that the firm's staff worked in six factory bays scattered throughout a large building. “We were using forklifts to move product back and forth, wasting a lot of time,” says Laninga. Three years ago, Chrislan built a new location that consolidated manufacturing into a single line. Today, just three people handle the casting (Chrislan has moved the other production staff to new roles), and the defect rate is only 2%.

Another strategy that has helped Chrislan hedge against the risks from currency volatility was its decision to identify and buy from U.S.-based suppliers. “You want sales and supplies to be in the same currency,” says Laninga.

Chrislan, to distinguish itself in the minds of export clients who might be tempted to source cheaper tap handles locally, hosts a customer-appreciation event every two years in Vancouver, with top brass providing seminars on subjects such as the art of making beer taps.

Today, Chrislan is looking to expand its tap sales into hotter countries, now that new technology makes it cheap to sell beer on tap in open-air bars in Latin America. The firm is in negotiations to produce taps for Grupo Modelo, Mexico's dominant brewer. “It's a trendsetter in the Latin American beer market,” says Laninga. Which means Chrislan may be about to hitch its wagon to another rising star.

**“We knew we had to boost productivity if we wanted to grow,” says Alan Laninga**



# ABOUT THE AWARDS

Presented by Export Development Canada (EDC) and PROFIT Magazine, the 2010 Canada Export Achievement Awards celebrate the spirit and strategies of small and mid-sized companies that are winning in foreign markets.

Applications were solicited through multiple vehicles, including PROFIT, Canadian Business and L'actualité magazines and their websites; EDC marketing and customer-contact channels; and direct mailings to successful exporters. More than 120 companies from across the country submitted applications in this, the second year of the program, and one winner was selected in each of five regions of the country: Pacific Region, Prairies & the Territories, Ontario, Quebec, and Atlantic Canada.

Applicants had to meet several criteria to qualify for participation, including having export sales in their current and two most recent full fiscal years; generating less than \$30 million in total revenue in their most recent fiscal year; and deriving at least \$150,000 and 10% of their revenue from foreign markets. Complete qualification criteria are listed at [ExportAwards.ca](http://ExportAwards.ca) and [PrixExport.ca](http://PrixExport.ca).

The judging process was completed in two stages. In the first stage, the editors of PROFIT evaluated all applications for basic eligibility and according to the criteria shown below. In the second stage, the entries of the highest-scoring applicants in each region were reviewed by the members of a national judging committee, who are identified at right. The judges independently evaluated the finalists' applications, then chose the winners by consensus.

Finally, winners were subjected to a due-diligence process that included background and reference checks, plus a review of their financial statements from their three most recent fiscal years. This due-diligence process was conducted by KPMG Enterprise.

## ALL ENTRANTS WERE JUDGED ACCORDING TO THE FOLLOWING CRITERIA:

- The quality and scope of the company's exporting strategy and practices (25% of the total score)
- The volume and rate of growth of the company's export sales (25%)
- The level of creativity, problem-solving or innovation applied by the company in any aspect of the exporting process (40%)
- The overall financial strength of the company (10%)



**CANADA EXPORT  
ACHIEVEMENT  
AWARDS**

## NATIONAL JUDGING COMMITTEE



**Murad Al-Katib**  
President & CEO  
Saskcan Pulse Trading Inc.  
Regina



**Mary Anderson**  
Executive Director  
WEConnect Canada  
Ottawa



**Dyanne Carenza**  
VP, Trade Business  
& Product Management  
Global Transaction  
Banking, Scotiabank  
Toronto



**Roger Hardy**  
Chairman & CEO  
Coastal Contacts Inc.  
Vancouver



**Elliot Lifson**  
Vice-Chairman  
Vêtements Peerless  
Clothing Inc.  
Montreal



**Joy Nott**  
President  
Canadian Association of  
Importers and Exporters  
Toronto



**Tom Sloan**  
VP, Commercial Markets  
and Small Business  
Export Development Canada  
Ottawa



The Government of Canada is a partner in this program.

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# HOW DOES INNOVATION HELP COMPANIES THRIVE IN TODAY'S ECONOMY?



**The Honourable John Manley,  
President and Chief Executive Officer,  
Canadian Council of Chief Executives**

Canada has a lot going for it in today's global economy. Our traditional resource base is in high demand. Our population is among the best educated in the world. Canadian communities are beacons of diversity, filled with global citizens. Our public finances are relatively strong. Our tax rates are increasingly attractive. Our markets are open. Our businesses are moving more confidently into a wider range of international markets. As a result, Canadians today enjoy an enviable standard of living and quality of life. But we cannot afford to be complacent.

The global economy is being transformed by the rise of China, India and other emerging markets. This creates opportunities for Canadian exporters and investors. But the continuing spread of information and communications technologies means that high-value knowledge work can be done anywhere. That means every single Canadian enterprise is faced with a relentlessly intense new level of competition. In this dynamic economic environment, we must seek to understand what we as a country can do better than others, and how we can maintain a competitive edge in everything we do.

Canada has a strong record of public investment in research, primarily through

post-secondary institutions but also in government labs. Where we are falling behind other countries is in the private sector. We often fail to recognize and develop the commercial potential of our academic discoveries. Inventors who launch new companies find both venture capital and entrepreneurial expertise in short supply. Too many small companies stay small. Too many companies that succeed in growing sell out quickly, with their intellectual property, the juiciest fruits of invention, snapped up and often moved offshore.

## WE MUST DO BETTER AT MOVING IDEAS OUT OF LABS AND INTO THE MARKETPLACE.

To overcome these challenges, I believe business and academic leaders must do whatever we can within our enterprises and institutions. We must set an example for the country. We must

do better at moving ideas out of labs and into the marketplace, at connecting inventors with investors, at modernizing our processes, at helping Canadians to acquire the skills they need to take risks and succeed as entrepreneurs and innovators. In particular, businesses need to invest in more research of their own, as well as in new, productivity-enhancing technology.

At the same time, public policy matters. What governments do, or don't do, has a powerful impact on how and where businesses choose to invest. Tax rates, regulatory approval processes, intellectual property rules, competition policy, restrictions on foreign ownership, government procurement practices: the list of public policies that affect business decisions is vast, but there are a number of important steps that could be taken without a dramatic effect on the public purse.

The innovation challenge Canada faces is complex. We can't afford to wait. Governments, business leaders and academics need to work together to remove the barriers holding Canada back from taking its rightful place as a leader on the world innovation stage. ■



# INCREASING **EXPORTS** **TOP PRIORITY** FOR CANADIAN BUSINESS



BY ERIC BEAUCHESNE



**A** strong Canadian dollar and weak U.S. economy remain the top two challenges facing the country's exporters, the latest EDC TradeWatch survey results suggest.

And only 42 per cent of those who responded to the late fall survey expected an increase in their sales to Canada's largest export market over the next six months, well below the 57 per cent anticipating an increase their non-U.S. exports.

But down is not out, and expanding their sales outside of Canada remains the No. 1 priority for nearly three-quarters of survey respondents, down only modestly from about 80 per cent six months earlier.

Further, there are signs of some cautious optimism creeping back into their planning and operations, reflected in a continuing shift in focus from the cost-cutting measures pursued during the recession, to developing new products and services.

In the latest survey, only 37 per cent said reducing operational costs was a priority, down from 45 per cent in the previous survey six months earlier, while developing new products and services was a priority for 54 per cent, second only to expanding export sales, and up from 49 per cent in the spring 2010 survey.

#### Preparing for Better Times Ahead

"They understand that by providing the best value with new products and services they can remain competitive in existing markets and expand to new markets as well," says Alberto Vargas, strategic marketing research manager at EDC.

Still, with the slower-than-expected global economic recovery, especially in the U.S., this shift also suggests that more exporters were in a holding pattern until conditions improve. Other business priorities of the EDC Research Panel members who responded to the latest survey were to expand sales in Canada and improve productivity.

Adding to evidence of cautious optimism was a drop to 13 per cent from 18 per cent in the proportion who cited trade protectionism as a top threat. Also, a small majority were on balance positive on overall expectations for foreign and domestic sales, imports, hiring and cash position and only 15 per cent were on balance negative, mostly reflecting their outlook for their U.S. sales.

Increasing international sales to non U.S. markets is now an emerging trend, Vargas says.

#### More Focus on Non-U.S. Markets

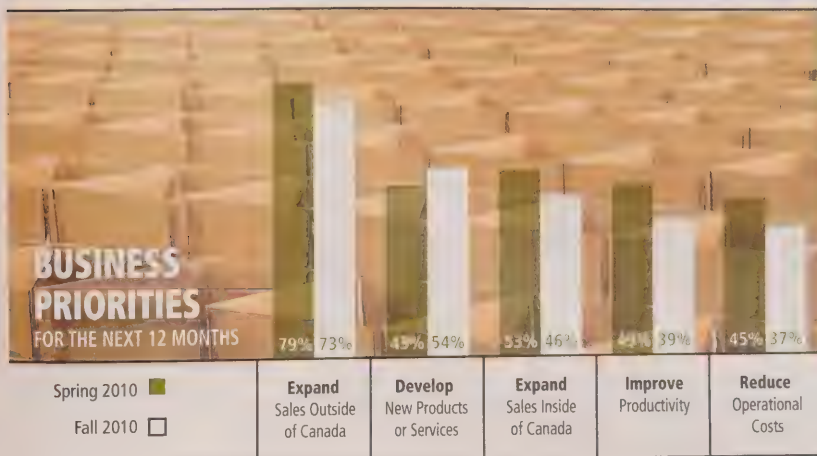
"Based on other facts and studies, we know that Canadian exporters are looking at market diversification and ... are looking to expand business beyond the U.S. In fact, according to the results of the Emerging Markets survey conducted last June on the EDC Research Panel, three-quarters of exporters believed their sales in emerging markets would increase over the following six months," he adds.

But they're not turning their backs on the U.S. either, with 35 per cent expecting their sales there to remain stable this year and only nine per cent expecting a decline.

But the strong and volatile Canadian dollar and the sluggish recovery in the U.S. remain the big negatives, and even more so than they were in the previous Trade Watch survey.

Currency concerns were cited by a full three quarters of respondents, up from just over 50 per cent in the previous survey, as one of the three factors that were expected to have the greatest negative impact on their performance over the next six months, including 49 per cent who cited the dollar's value and 26 per cent its volatility.

"The currency's strength and volatility were also raised as a major concern during the TradeWatch Fall 2010 online forum, which provided survey participants an







## 20 PER CENT EXPECT SOME IMPROVEMENT IN FINANCING CONDITIONS

opportunity to discuss top-of-mind issues with other exporters," Vargas says.

As one noted, the U.S. greenback could be worth \$1.06 one day and then only \$1.01 when the invoicing is done and then just 99 cents when the payment is received. "Due to the extreme volatility in the currency markets, one takes a huge risk on doing export business," the panel member added.

Companies find it difficult to predict profit margins with currency volatility, but a major concern is the strength of the dollar. The Canadian dollar has been around par with the U.S. dollar for quite some time, posing major challenges to Canadian companies.

Foreign currencies and the exchange rate were also cited separately by 42 per cent as a "major" export cost constraint, second only to business development costs, cited by 53 per cent. Other major cost constraints were extended payment terms followed by transportation, borrowing, labour, product or service innovation, insurance, customs, regulations and taxes.

Meanwhile, the proportion citing the U.S. economy as having a major negative impact on their operations also increased to 49 per cent, matching the proportion citing the strong Canadian dollar.

Unfortunately, these top concerns are also ones over which exporters have no control.

However, as Export Development Canada and other trade experts have stressed, they are factors to which exporters can adjust—in the case of the currency, through hedging and other financing strategies, or in the case of the U.S. economy, by seeking out new offshore markets as the survey suggests more are doing, especially in some of the rapidly expanding emerging giant economies, such as China and India.

### Financing Remains a Major Challenge

Securing financing, meanwhile, was again cited by about a third as one of the top three factors having the greatest negative impact on their company's performance, followed by foreign competition, market demand outside of Canada, ability to meet orders, protectionism, domestic competition and the availability of qualified labour.

While there have been some shifts, there is consistency in the survey findings, Vargas says, and that was clearly evident with access to credit.

This is a major concern, as nearly three quarters of respondents said they finance their export operations out of their own cash flow—from sales, for example—and 55 per cent use short-term financing, such as a line of credit or credit card.

Only five per cent have long-term financing—from the issue of bills, bonds or notes, for example—which Vargas notes likely reflects the fact that most are smaller companies.

Although one in six said they get paid by their foreign buyers in less than 30 days on average, six in 10 wait from one to three months, and one in six waits three months or longer.

On the bright side, the proportion expecting some improvement in financing conditions or terms edged up to 20 per cent, while the proportion expecting a worsening eased to nearly a quarter from over a third. Still, more than half expected no change.

Other sources of financing included family loans or personal savings—or as one online respondent said, "mortgaging my home"—followed by buyers or suppliers, government loans or grants, other investors and discounting.

The high cost and difficulty of obtaining export insurance, especially to support sales in emerging markets, were also major topics of discussion in the online forum, with one panel member complaining that it "seems like highway robbery, or let's say high-sea piracy."

"The current financial crisis, which will probably last for several years, has increased the risk in collecting offshore

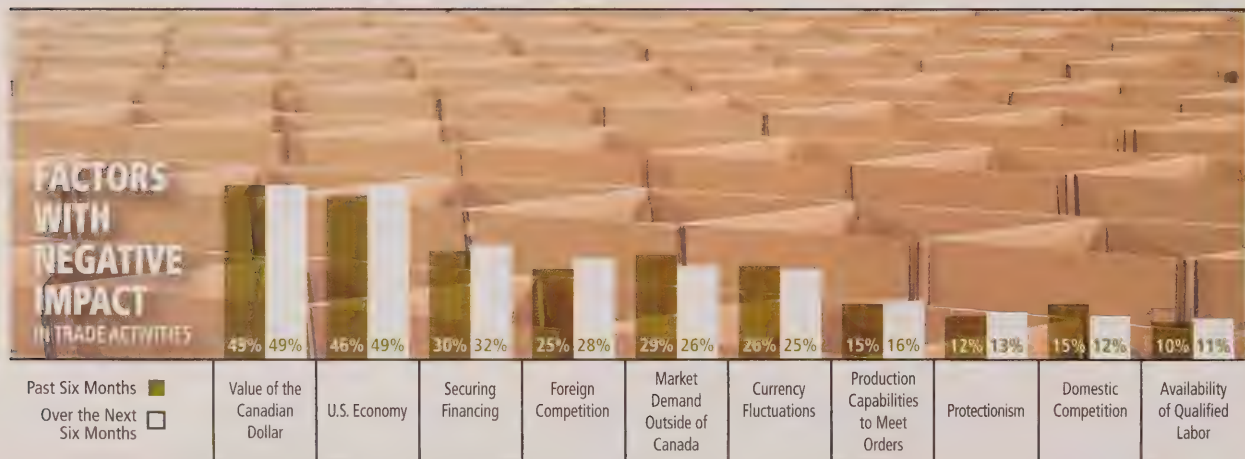


Photo: ©Stockphoto/James Grimes



## EDC HAS A PRIMER ON THE MOST PROMISING MARKETS

receivables," another panel member added. "In most cases, insurance is either not available or is very expensive to cover exports to emerging countries."

Insights garnered from the TradeWatch surveys, conducted on the EDC Research Panel, provide EDC with a better understanding of the direction of Canadian trade-engaged businesses and the factors and challenges that impact their performance activities and financing conditions.

The EDC Research Panel provides EDC with trade-related facts and insights directly from Canadian exporters so it can make better decisions and create better products and services for its customers. The EDC Research Panel reinforces EDC's position as a trusted partner and supports its new vision to be the most knowledgeable, the most connected and the most committed partner to Canada's export community.

### EDC Can Help

EDC has developed a practical, hands-on guide ([edc.ca/english/publications\\_brochures.htm](http://edc.ca/english/publications_brochures.htm)) to help Canadian companies learn about doing business in different markets. It will help Canadian exporters through the exporting process and provide a primer on the most promising new markets for Canadian goods and services.

EDC also provides advice to businesses on how to manage their foreign exchange risk.

The fluctuation in exchange rates is one issue that continues to take a bite out of the profits of many Canadian companies. Studies also show that many companies, especially smaller ones, lack knowledge on how to manage that risk. In response, EDC has prepared several documents on the management of foreign exchange, including a white paper ([edc.ca/english/need\\_to\\_18413.htm](http://edc.ca/english/need_to_18413.htm)) with recommendations for Canadian companies to adapt to a strong dollar and how EDC can help. ■

## LOOKING BEYOND THE U.S.



**E**DC's latest reading of the mood of Canadian exporters supports evidence in its most recent TradeWatch survey that Canadian exporters are looking more beyond the U.S. and other developed countries for sales growth.

Expectations of increases in sales over the coming six months to the emerging BRICM countries—Brazil, Russia, India, China and Mexico—rose to 44 per cent in the fall 2010 Trade Confidence Index survey from 40 per cent in the spring of 2010. Further, 23 per cent expected BRICM markets to contribute the most to export sales, up from 19 per cent in the spring survey.

While the mood among exporters also points to continued overall growth in trade this year, their economic optimism has faded somewhat since the spring of 2010, and with it their confidence about their near-term sales prospects.

The index declined from 78.8 in the spring to 74.1 in the fall, though that level is still consistent with positive growth in trade since the decline followed three straight increases from the record low of 61 in the fall of 2008.

"For the most part, there is not much to cheer about in this report, with one key exception," says EDC chief economist Peter Hall. "In spite of their feelings about economic conditions, exporters were relatively chipper about global sales prospects."

Almost half expected increases and another 40 per cent stable sales.

"Trade confidence staged an impressive run that took it from the depths in the fall of 2008 to its highest level in eight years in the spring of 2010, thanks to a rebound in export sales and a resilient domestic economy," he says. "Optimism cooled at the tail end of 2010 as perceptions of Canada's economy weakened and doubts about the international situation grew."



# OPPORTUNITIES AWAIT IN SUB-SAHARAN AFRICA

BY TS BUCHANAN

Sub-Saharan Africa in 2011 is seeing unprecedented opportunities for transformation and sustained growth. According to the World Bank, the region could be on the brink of an economic takeoff, much like China 30 years ago and India 20 years ago.

There are certainly some enduring, long-term development challenges in many countries where corruption and governance issues persist. But there are many opportunities worth pursuing: the region is rich in natural resources; there's a growing middle class of almost 75 million with strong links to Canada, and there is a large infrastructure deficit estimated at about \$48 billion per year.

"We believe the time is ripe for Canadian exporters and investors to take a better look at what Africa has to offer," says Charles Edgeworth, EDC's regional manager for Sub-Saharan Africa (SSA).

"The recession clearly demonstrated that Canadian companies need to diversify from their traditional markets," adds Edgeworth. "Sub-Saharan Africa is definitely rebounding, and the prospects are bright: one-third of the region is seeing growth of five per cent and higher, and another third is seeing growth between three and five per cent.

"Obviously, Sub-Saharan Africa is 48 countries, so the opportunities and risks vary throughout. Some countries, particularly resource-rich countries such as Nigeria, are showing solid growth and are able to borrow, while others have limited capacity. But the fundamentals have improved and many government balance sheets are being repaired."

EDC's goal is to develop more business and trade between Canada and Sub-Saharan Africa. "Our strategy is to target large African buyers and introduce them to Canadian companies," says Patricia Bentolila, EDC's chief representative for Africa. "We've targeted specific countries

## Top 4 countries with potential for Canadian suppliers



## Top 4 sectors that will lead growth in SSA:

1. Infrastructure
2. Extractive
3. Information & Communications Technology
4. Transportation

## IN 2009 EDC'S BUSINESS VOLUME IN SUB-SAHARAN AFRICA WAS MORE THAN \$1 BILLION

where we see more potential for Canadian exporters, for example South Africa, Nigeria and Angola, but we're open in most others, with some restrictions."

In 2009, EDC's business volume in Sub-Saharan Africa was more than \$1 billion.

Ghana also plans to expand its power generation capacity in the next five years to 5,000 megawatts from 2,000, and Cameroon recently issued local bonds to fund infrastructure projects. In South Africa, the region's largest economy, the

in the mid-1980s, and since that time we've developed contacts, built relationships and leveraged each successive project." Today, almost 60 per cent of CPCS Transcom's international business is in Africa.

Developing these relationships is the most critical aspect of doing business in Africa, says Mohiuddin. "You absolutely have to understand the various cultures. You can't operate at arm's length and hope to do more business," he adds.

"And you have to be patient. The bidding and negotiations process can often take months, which can make it difficult to plan and forecast. And you might experience payment delays. But these matters can all be worked out if you develop a relationship of trust. You have to make Africans know that you will be there when they need you, and you can't do that from your head office in Canada."

The company now has two permanent offices in Nigeria and is mobilizing for a new contract to help the Nigerian government privatize the national power sector.

Mohiuddin's advises Canadian companies looking for opportunities in Sub-Saharan Africa to go through another Canadian company with an established presence in Africa. "It's difficult to get a foothold on your own," he says. "Look at your supply chain; try to establish a relationship with an existing Canadian company; start as a subcontractor, then leverage this business and begin to establish your own presence."

"EDC has a great deal of market intelligence to share with companies looking to enter one of these markets, as well as strong relationships with the Canadian Trade Commissioners on the ground and certain regional banks," adds Bentolila. "If you're considering entering this market, we can help identify any red flags and mitigate the risks." ■

### EDC support to Canadian exporters and investors in Sub-Saharan Africa includes:

- ▶ Insurance to cover a variety of solutions, including accounts receivable insurance to cover against risk of non-payment.
- ▶ Political risk insurance against expropriation, political violence and currency inconvertibility.
- ▶ Financing solutions to support Canadian exporter or investor operations, or financing solutions provided directly to a foreign buyer.
- ▶ Lines of credit (for example with First Bank of Nigeria), whereby the bank's credit criteria are then used to on-lend from the line of credit established with EDC.

"The sectors where we see the most potential are infrastructure (particularly power, water and waste water, airports and ports), extractive (both mining and oil and gas), information and communication technology and transportation, including aerospace and railways. But we also see some potential in agriculture," says Bentolila.

### Massive investments in infrastructure

Infrastructure is the major sector for opportunities in Sub-Saharan Africa. According to a recent World Bank study, about \$93 billion US is needed every year over the next decade to address the region's infrastructure needs. Almost half this money will be dedicated to the power sector.

In Nigeria, for example, the power sector has been struggling for years, despite significant natural gas and abundant renewable energy resources. Today, more than 100 million Nigerian citizens lack access to electricity, and \$3 billion to \$5 billion US will need to be invested to stabilize the sector.

state-owned utility is expected to spend about \$21.6 billion US to address demand in the next five years, and its state-owned transportation company will invest close to \$14 billion over the next five years on expansion projects.

### Building relationships is key

Ottawa-based CPCS Transcom has been in Sub-Saharan Africa for close to 20 years. The managing consultancy firm provides feasibility services, investor and restructuring advice, as well as engineering support for large infrastructure projects, particularly in the power and transportation sectors. It has operated in about 35 countries and currently has projects in Nigeria, Ghana, Kenya, Tanzania, Sierra Leone and Angola.

An EDC customer for close to 10 years, CPCS relies on EDC's accounts receivable insurance for many of its African projects.

"Our business in SSA evolved naturally," says Arif Mohiuddin, vice-president of international operations. "It began with a small project in Malawi



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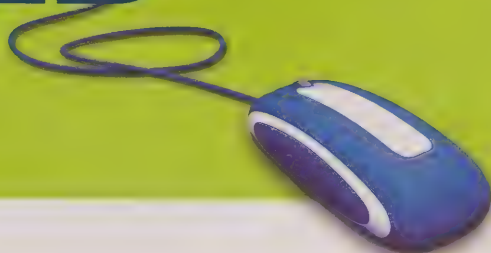
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**explored**  
in detail?

Is there a recent  
story that **piqued**  
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# EXPORTING ON THE WEB



## PODCAST

*iinnovate* is a series of 15-minute interviews featuring leading entrepreneurs, venture capitalists and innovators, conducted by grad students from the Stanford University design and business schools. Interviewees include former Netflix CFO Barry McCarthy, Tesla Motors co-founder Martin Eberhard and intuit founder Scott Cook.

[itunes.apple.com/podcast/iinnovate/id167120863](https://itunes.apple.com/podcast/iinnovate/id167120863)  
(English only)



## VIDEO

Listen in on this authoritative venture capital panel, featuring expert investors and entrepreneurs from Silicon Valley, New York, and Boston giving advice to Canadian entrepreneurs in order to help facilitate cross-border growth for Canadian companies ready to grow their business in the U.S.

[marsdd.com/buzz/video-detail.html?viddlerUrl=http://www.viddler.com/explore/marsdd/videos/119/](http://marsdd.com/buzz/video-detail.html?viddlerUrl=http://www.viddler.com/explore/marsdd/videos/119/)  
(English only)



## BLOG

Innovation Partagée is the world's first francophone platform for open innovation and idea sharing, as well as a great place to find news about what the world's most innovative companies are up to. Open Innovation—a term promoted by Henry Chesbrough, a professor and executive director at the Center for Open Innovation at UC Berkeley—promotes the concept that firms can and should use external ideas as well as internal ideas as they seek to advance their technology.

[innovationpartagee.com/Blog/](http://innovationpartagee.com/Blog/)  
(French only)



## @ EDC

Did you know that EDC maintains a library of trade-related links to answer Canadian exporters' questions? Find out how to get permits and learn about regulations, connect with business financing programs, and seek out new opportunities through tools like the Virtual Trade Commissioner.

[edc.ca/english/exporting101\\_18839.htm](http://edc.ca/english/exporting101_18839.htm)



## WEBSITE

Check out Innovation Tools, a site designed to help busy executives to be more innovative in their businesses. Innovation Tools is the brainchild of Chuck Frey, an expert on PR, marketing, business strategy and information services, and a prolific Twitterer (@chuckfrey). The site provides information about tools, strategies and techniques to help you be more creative in your business—and have more fun in the process.

[innovationtools.com](http://innovationtools.com)  
(English only)

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# BORN CANADA: RISING TO INTERNATIONAL FLAME

BY TOBY HERSCOVITCH

From a one-man shop to a mid-sized company selling to more than 15 countries, Born Canada used innovative thinking to blaze a worldwide trail for its oil and gas direct-fired process heaters.

"Back in 1988, I had the idea of starting an oil and gas heater company in Canada," says Roger Newnham, the company's founder and president. "I saw a niche for more compact heaters and for a full project office here in Canada."

Newnham initially subcontracted the production to a U.S. company called Born Engineering. Today Born Canada has close to 40 employees, makes over \$20 million in annual revenues and has exported up to 80 per cent of its products in a given year.

"The countries where we have been the most successful are Indonesia, Thailand and Australia. We've also done work in Algeria, South Korea, U.A.E., Russia and parts of South America. We're now trying to move into the Brazilian market," says Newnham, whose company was a finalist for a 2010 Alberta Export Award.

Its international growth has been both daring and carefully calculated. Here, we highlight some of the key steps, according to Newnham, that have allowed Born Canada to grow, even through the recent recession.

## Latch onto a bigger supply chain

"Our first steps outside Canada were through contracts with Canadian companies doing work overseas, such as SNC-Lavalin. We sort of piggybacked off others' successes. For a small company, that's often the best way to enter international markets."



▲ Born Canada's fired heaters are about 10 times the size of the company's head office building in Calgary.

## Find a knowledgeable agent

"Once we were doing subcontracting in different markets, we started seeking agents in those countries. You really need a local person on the ground where you want to do business. In a business that's highly technical, such as ours, it's also best to have an engineer who understands the product."

## Product reliability is critical

"If our heaters stop for some reason, then the whole plant shuts down, so quality and reliability are key. Born Canada's designs are certified to the American Petroleum Institute. This is the standard that is most respected worldwide in our industry."

## Build customer loyalty

"Innovation isn't just about product design, which can be copied by other

companies. Where we've been innovative is by going to new places, familiarizing ourselves with local oil companies and local reps, and making sure we provide unmatched support. Our customers are loyal to us because we're loyal to them. We train their operators, help with start-up, do troubleshooting and monitor equipment performance."

## Find a good financial partner

"One of the reasons we've been so successful outside Canada is being able to use EDC for financial guarantees, such as contract insurance and performance security guarantees. EDC came to see us 10 years ago and explained how they could help us out. Now, as we do more business in new and different environments, we turn to EDC without question."

"When I sold the company about five years ago to U.S. firm OnQuest, Born Canada kept the overseas work and that's partly because of the support we get from EDC. We still do the engineering design and manufacture the burner management systems here, then subcontract the building of the heaters to the customer's country."

Born Canada has also kept the overseas contracts for another simple reason: Newnham and his team enjoy them so much!

## Writing the Book on Fired Heaters:

*Find out how Born Canada got into the publishing business, plus other anecdotes of working abroad, at [exportwise.ca/borncanada](http://exportwise.ca/borncanada). ■*

**CLICK...**

› [borncanada.com](http://borncanada.com)

# gsmprjct: A COMPANY TO

# BEHOLD

BY DANNY KUCHARSKY



Photo: Courtesy of gsmprjct

A Canadian company is changing the way tourists see the world.

The Behold digital telescope, developed by gsmprjct, a Montreal-based exhibit design company, allows visitors to some of the world's tallest buildings to view their spectacular surroundings in a new, high-tech way.

Left behind are the old-style, coin-operated telescopes or binoculars that have been fixtures at tourist sites since at least the 1930s when the Empire State Building opened in New York City. Instead, gsmprjct's interactive Behold telescopes are key features on the observation decks of such buildings as the Burj Khalifa in Dubai—the world's tallest building—and Chicago's Hancock Tower. The company is also in talks with developers to have the telescopes installed in projects in Taiwan and Shanghai.

When a viewer aims the telescope at a specific location, information about the landmark appears on the screen at the touch of a button. The telescope, which uses an HD video camera, also contains saved images, so visitors can see the sites—with day- or night-time views—even in poor weather.

Gsmprjct's exhibit work at Burj Khalifa, which opened in 2010, includes much more than the telescope.

The company did all the design and installation for the "At The Top" visitor centre, including the mall-level introduction area and the multi-media show featured during the 63-second elevator ride to the 124<sup>th</sup>-floor observation deck.

"We're considered more innovative, more daring than our (mainly British and American) competitors," says gsmprjct president Yves Mayrand.

## EDC'S ASSISTANCE HAS BEEN CRUCIAL TO gsmprjct's INTERNATIONAL SUCCESS

Export Development Canada's assistance has been crucial to gsmprjct's international success, Mayrand says. The projects require downpayment bonds or performance bond guarantees, and gsmprjct has turned to EDC since 2002 to provide them.

"As a small company, we don't have the assets to provide these guarantees for international projects, and it would be very difficult, if not impossible, for us to obtain these bonds elsewhere," he says.

EDC Account Manager Cathy Beauvais says the performance bond requirements would "freeze the company's working

capital. EDC bond solutions make it possible for the company to have access to its funds, thus enabling it to carry out its contracts." The company began by designing exhibits for some of the themed pavilions at Montreal's Expo 67 world's fair, and it now has 40 employees.

Gsmprjct has been in Dubai since 1996, and other projects there include the interior design of the National Bank of Dubai's head office. The firm has had an eight-employee office in Singapore since 2003 to pitch for Asian contracts. The company's biggest project has been the \$24 million exhibit design for the National Museum of Singapore, which opened in 2006, and it is developing an exhibit in Singapore for the Washington-based Smithsonian Institute.

Closer to home, gsmprjct and Montreal firm Moment Factory recently completed an 18-minute multimedia show on the history of Montreal for the city's Pointe-à-Callière museum of archeology—its third such show since the museum opened in 1992. The company is also co-producing an Indiana Jones exhibit set to open this spring at Montreal's Science Museum. ■

CLICK...  
▶ [gsmprjct.com](http://gsmprjct.com)



# WHILE YOUR TECHNOLOGY WAS SLEEPING



Peter Hall  
Vice-President  
and Chief Economist

## THE SPEED OF INNOVATION HAS REVOLUTIONIZED INTERNATIONAL TRADE

**Y**ou're having a really bad day. The email server is down. Web access in your hotel is broken, and, of all days to do this, you left your air card on the plane. Exiting your cab, the BlackBerry slipped and landed in a puddle. You've been on hold 48 minutes, hoping someone from your IT department will answer. You're staring at a 7 a.m. deadline in the face and you are down to a word processor, a spreadsheet and an external memory device. Disaster.

Today, we can't conceive of operating without our hi-tech capabilities. The speed and scale of technological progress in the past few decades has been stunning.

The speed of innovation has revolutionized international trade. It has helped lower trade barriers, enabling a surge in globalization. The accompanying rise in competition has increased risks, but the potential rewards are on an impressive up-trend. Innovation is like hockey: you have to play fast just to keep up; those who excel are those who get to where the puck is going to be.

Three facets of innovation are essential to surviving and thriving in today's world. First, product innovation. The easiest examples are in hi-tech. Few remember the 286 PC, but it was a leader in its time. It's now space junk. The mouse did away with a lot of typing and now is being replaced by the touch pad. Few products are immune from today's need for rapid continuous improvement.

Process innovation is a second and related facet. Even if a product isn't physically changing, transforming the way it is made can make all the difference. Development of the assembly line is one of the more dramatic modern innovations, but with the speed of

technological advances, gains can be made by using technology and continuous improvement methods throughout businesses. This is crucial for products that are more homogeneous and commoditized, as slight price differences can have a major impact on sales. Considering that competition for all product classes is intensifying, there are few industries that can ignore this aspect of innovation.

These first two facets are centuries-old business axioms, although today's technological reality elevates their importance. A third facet—production innovation—has only been made widely possible by recent technology, which allows firms of all sizes to participate in just-in-time, globally integrated supply chains. Organizing business this way allows enterprises to harness the commercial strengths of markets around the world, creating globally efficient goods and services with super-sized market potential.

Critics often say that organizing business this way sacrifices jobs at home. On the contrary, it may prove to be a partial solution as the population ages and labour becomes increasingly scarce. Or not. In certain cases, as production innovation makes products globally efficient, the sales base expands enough that the net job count on the home front has to rise. What's more, these new jobs usually pay more. And critics tend to forget or ignore a critical reality: domestic firms may opt out of this approach, but at the risk of being displaced by a competitor who is globally efficient.

As your IT people reconnect you to the world, remember how much more all that technology can do for you—and and the competition. ■

# EDC TOOLKIT

EDC offers a wide range of trade finance solutions to Canadian companies and their customers abroad. The following summary is intended to act as a guide. Visit us online at [edc.ca](http://edc.ca) or call a small business representative at 1-888-332-9398, weekdays, 8 a.m. to 6 p.m. EST.

## INSURANCE

### Are you sure your U.S. or foreign customer will pay?

Don't risk it. Get EDC Accounts Receivable Insurance and we'll cover up to 90 per cent of your losses if your customer doesn't pay.

### Do you know what the future holds for your investments abroad?

Use EDC Political Risk Insurance and protect your investments abroad from unforeseen political and economic upheaval. We'll cover up to 90 per cent of your losses.

### What if my buyer calls my bond even though I didn't do anything wrong?

Protect yourself with EDC Performance Security Insurance which covers 95 per cent of your losses on a wrongful call or a call resulting from events outside your control, such as war.

For information on these and other insurance products, visit [edc.ca/insurance](http://edc.ca/insurance).

## WORKING CAPITAL

### Do you need access to more financing?

By providing a guarantee to your financial institution through our Export Guarantee Program, we can help you access additional financing for export-related activities and/or foreign investments.

### Do you need protection against currency fluctuations?

Do you purchase forward contracts from a financial institution to protect your cash flow against currency fluctuations? EDC's Foreign Exchange Facility Guarantee (FXG) can help. FXG frees up your working capital by forgoing a financial institution's requirement to put up to 15 per cent collateral on forward contracts.

With FXG, you can pay your suppliers up front without fear of losing money due to currency fluctuations.

For information on these and other working capital solutions, visit [edc.ca/wcs](http://edc.ca/wcs).

## ONLINE SERVICES

### Will your customer pay?

Get a credit profile for as little as \$30 with EXPORTCheck. We have more than 100 million companies in our database.

[edc.ca/exportcheck](http://edc.ca/exportcheck)

### Looking for information on export finance?

The EXPORTFinanceGuide centralizes information about the financing tools and services available for Canadian exporters at various stages of the transaction cycle. [edc.ca/efg](http://edc.ca/efg)

### Want some market insight that will actually help you make a decision?

Check out EDC's Country Information – economic reports that monitor political and economic events and gauge opportunities in more than 200 markets. [edc.ca/e-reports](http://edc.ca/e-reports)

### Online Solutions Advisor

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### Want to turn your export sale into a cash sale?

EDC offers a range of financing solutions for foreign buyers of Canadian capital goods and related services. Generally, our financing solutions provide one- to 10-year coverage for up to 85 per cent of the value of your sale.

EDC also has pre-arranged lines of credit with foreign banks, institutions and purchasers, under which foreign customers can borrow the necessary funds to purchase Canadian capital goods and services.

In partnership with Northstar Trade Finance, EDC can also provide fast and efficient medium-term foreign buyer financing for smaller capital goods export transactions. [northstar.ca](http://northstar.ca)

For information on these and other financing products, visit [edc.ca/financing](http://edc.ca/financing).

## BONDING

### What if my buyer demands a bond?

You can get bonds issued by either your bank (standby letters of credit or letters of guarantee) or a surety company (surety bonds). EDC can help you get those bonds by issuing a guarantee to your bank or by providing up to 100 per cent reinsurance to your surety company.

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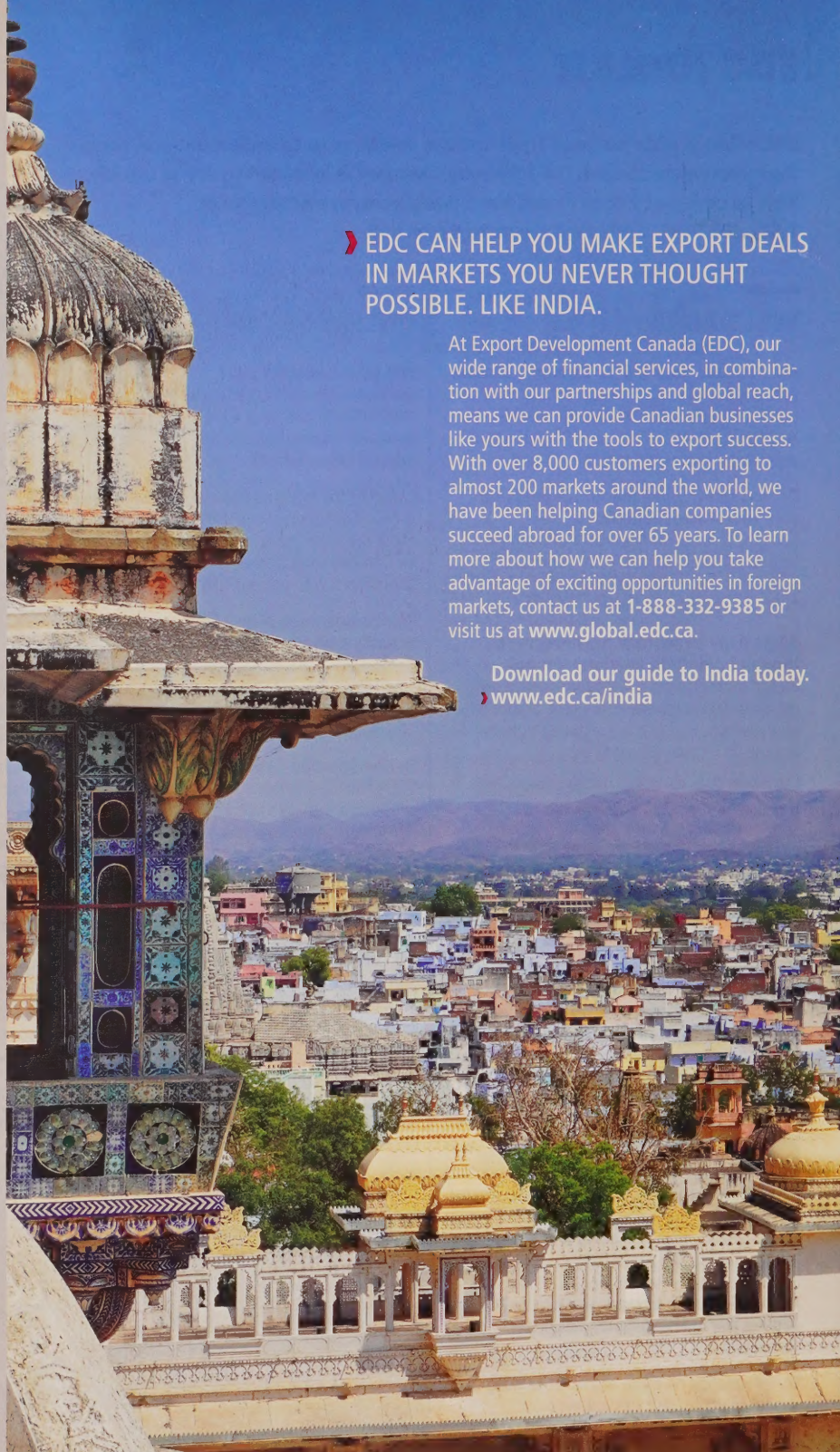


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